McLeod, H.C.

Britain's economic insufficiency

Camden, S.C.

1926

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A Plea for Financial Reorganization in the Interests of Humanity

BY H. C. MCLEOD

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BRITAIN'S ECONOMIC INSUFFICIENCY

A Plea for Financial Reorganization in the Interests of Humanity.

Economic sufficiency implies that industries are so adjusted as to create a self-contained commonwealth. or to approach as near thereto as the natural resources and climate of a country will permit: it involves that production should be in excess of consumption. The laws of the comonwealth ought to be equitable, in order that one class may not oppress or socially degrade another. In short, economic sufficiency contemplates a well balanced country, with its wealth so distributed that poverty is rare, or at least, that the majority of the people will not live near the poverty line.

AGRICULTURE.

Agriculture is an inceptive and basic occupation· the inhabitants of a country are prone to engage in the production of food until the supply is ample, unless untoward influences retard the growth of husbandry. Cultivation of the soil "measures the extent to which other industries than agriculture can subsist, or generally other persons besides agriculturists can live." The productive acres should in number double the population. In 1895 agriculture engaged 47.9 of the world's industrial population, while in the United Kingdom, of 16,820,000 engaged in industry only

2,530,000 were occupied in husbandry, the percentage being 15.04, or less than one-third the normal proportion: the percentage further declining to 7.49 for Britain in 1921. Of males of 20 years and upwards in the British Isles in 1831, no less than 42.5 per cent were engaged in husbandry. (See Porter, 1847, page 54.) As a result of the decadence of agriculture, in 1924 only 19.11 per cent. of bread consumed was made from home-grown wheat: grain from the far ends of the earth was imported to feed more than 83 per cent. of the population.

This decadence recalls the prophesy of Macaulay that intensive agriculture would extend to the tops of Ben Nevis and Helvellyn. The great historian appears to have been impressed by unprecedented improvements in farming during the eighteenth century, which are mentioned by Arthur Young, as well as by the stimulation of protection during the Corn Laws. Macaulay did not fully appreciate the blight of landlordism of which Thorold Rogers later wrote, "This, however, is perfectly certain—the landowners of the eighteenth century made the British farmer the best agriculturist in the world; the landowners of the nineteenth have beggared him." (Economic Interpretation of History, page 182.)

The growing inability of Britain to feed her people is shown by a table printed in Porter, 1910, page 433, giving the consumption of various articles of imported food, in pounds weight, per head of population, the information being made available by the Statistical Abstract, which dates back to 1840. The following is compiled from Porter and from the Statesman's Year Book, 1925:

Articles	1840	1870	1890	1909	1924
Bacon and ham, lbs.	.01	1.98	13.55	14.06	23.
Meat			9.60	27.32	52.
Butter	1.05	4.15	5.83	9.93	20.5
Cheese	.92	3.67	6.23	5.80	3.3
Cocoa	.08	.20	.54	1.19	2.8
Eggs, number	3.63	13.90	32.91	46.95	47.
Potatoes, lbs.	.01	2.80	5.73	10.37	21.
Sugar	15.20	47.23	73.11	165.32	80.
Tea	1.22	3.81	5.17	6.30	9.2
Wheat	42.47	122.90	179.70	242.93	334.

The decay of agriculture was due to the landlords, who constituted the ruling class up to 1840, and whose influence was of dominating power in politics. The tendency in all countries is for those who own the land to make the laws: in Britian where the land is owned by a few families that tendency was overwhelming until industry and trade gave the mercantile classes the balance of power. Until 1840, legal enactments were mainly at the behest of the landed interests. According to Thorold Rogers, that most reliable of historians, the people of Britian have had "copious and continuous experience" that administrative power has been used, not as a public trust, but for personal gain, and, he adds, "The people of Ireland have had no other experience." The following is from the pen of John Stuart Mill: "Alone among mankind the Irish peasant cannot be better off by any act of his. If industrious or prudent, nobody but the landlord gains, if lazy or intemperate, it is at the landlord's expense." Of the total area of the United Kingdom 52.5 per cent is owned by 2500 persons of dominating influence.

Before 1765 Britain was an exporter of grain as well as of meat and other products of the farm, but there ensued a long period of generally unfavorable crops. In 1773 the Corn Laws were temporarily modified to permit imports, but with one or two favorable crops in succession the cry was again raised that the landed interests were being ruined by low prices: thereupon, in 1791, heavier duties were enacted. With small crops and increasing population the bread of the masses was cornered and prices made prohibitory for the poor. Increased farming profits after 1782 stimulated competition for holdings, under which rents rose steadily. With crop failures in 1795, 1797, 1799 and 1800 bread advanced to famine prices, further accelerating rents, the competition for holdings impairing the security of tenure, as well as steadily undermining the tenants profits. Porter's Progress of the Nation, 1847, records: "With scarcely any exception, the revenue drawn in the form of rent, from the ownership of the soil, has been doubled in every part of Britain since 1790." This increased revenue drawn by the landlords within the time stated was almost double the national debt of any time prior to 1914. Tenant farmers were prosperous for the time, but long before 1880, the landlords, through adhering to high rents, and regardless of changed conditions and agricultural depression, absorbed the whole of that prosperity, with much of the farmers' capital as well. When produce prices were advancing tenants increased their profits during the unexpired term of their leases, but when a new contract became due to be made the utmost rent was exacted. That rent measured the value of all im-

provements made by the tenant and generally took account of the advantage to the tenant of continuing his holding. Sir James Caird estimated the loss to a farmer in moving his stock and other property from one holding to another at 15 per cent of his capital, or about 30 shillings per acre. In the circumstances, the good husbandry of the tenant was taken into account by the landlord in estimating the rent that would be borne.

The cost of operating a farm of 100 acres, 40 arable and 60 pasture, and the product therefrom are given in "Industries and Wealth", 1896, from which the following statement is abstracted:

Operative Costs	
Rent	£120
Taxes	42.
Team	100.
Labor	125.
Sundries	63.
Profit	66.
	516.

Product	
Tillage of 40 acres	264.
Pasture 60 acres	252.
	516.

The farmers capital would need to be about £900; five per cent interest on which would leave him £21, or about 8 shillings per week for his work, or includ-

ing interest on capital, 25 shillings per week. Little wonder that farmers figure so prominently in bankruptcy lists; that acreage under tillage is declining, or that, in the opinion of the noted authority above quoted losses by landowners and farmers averaged £30,000,000 yearly.

Acreage under wheat has been:

1800	3,000,000	
1812	3,160,000	Comber
1820	3,300,000	Middleton
1831	3,800,000	McCulloch
1846	3,800,000	McCulloch
1871	3,740,000	
1885	2,830,000	Mulhall
1888	2,670,000	Mulhall
1896-1900	1,960,000	Webb
1901-1905	1,680,000	Webb
1907	1,664,000	Webb
1910	1,857,000	Int'national Agricultural Inst., Rome, (Webb)
1913	1,757,000	Gt. Britain, only. Stat. Yr. Bk.
1921	2,041,000	Gt. Britain, only. Stat. Yr. Bk.
1923	1,799,000	Gt. Britain, only. Stat. Yr. Bk.
1924	1,594,000	Gt. Britain, only. Stat. Yr. Bk.

Other countries of Europe have regulated the relations of landlord and tenant, in the interests of the latter, always resulting in general good. In France

the change came with the Revolution. In Germany under the Stein Law, favored by Hardenberg, the number of landowners increased from 30,000 to more than 1,500,000 within fifty years. In Holland, lands held by tenants descend by right of primogeniture, and the landlord can neither disturb the tenant nor raise his rent. (Industries and Wealth, page 244.) In Denmark, the landlord can neither raise the rent nor evict the tenant so long as he pays it. (Ib.p.233.) In 1818. 30 nobles owned Norway and 1,200 people held the lands of Sweden. Under changes in the last two countries, 6,000,000 acres were acquired in small holdings by peasants prior to 1840. Only Portugal and Britain seem to adhere to land systems of feudal times. Indeed, the latter had more consideration for the tenant some centuries ago than now, for then the "idea of a fixed rent in an estate of inheritance pervaded all relations of landlord and tenant." (Econ. Intp. of History, page 15.)

Illustrative of the change effected by the French Revolution in land tenure, we have the following from Mulhall's "Industries and Wealth," page 115, "Instead of 19,000 landowners in France, the number exceeds three and one-half millions, and if we exclude all estates under 12 acres, as cottiers holdings, we find the land tenure of the two countries as follows:

	No. of Estates	Acres	Average acres
France	1,638,000	91,250,000	56.
U. Kingdom	19,275	57,890,000	3,003."

Agricultural holdings, owned or partly owned by the occupiers, in June 1908, were 12.1 per cent of all holdings in Britain. Under this system of land cor-

nered by the "gentry," acreage of grain in the United Kingdom declined from 11,600,000 in 1846 to 5,963,-000, in Great Britain, in 1924 and in 1925 a further heavy decline occurred. The value of all agricultural products of 1836 was £228,600,000; that of 1896 £230,000,000.

Plainly, neither the call for food in the "hungry forties" nor the economic needs of later years availed to maintain agriculture under the parasitic blight on the land, which has not only destroyed a paramount industry, but has dispersed the sturdy yeomanry that for centuries were the backbone and the pride of the British Isles. This though the lands were most fertile and the farmers surpassingly capable and industrious. Under the democratic land tenure of France, wheat acreage increased 40 per cent from the downfall of Napoleon to 1896. The crop of 1818 was 3,550,-000 tons; that of 1894, 8,550,000 tons. Likewise. in Germany the cultivated acreage increased from 35,330,000 in 1856, to 65,200,000 in 1893. In Europe, outside Britain, agricultural progress is general, and, with correspondingly cheap food as a result, the Continent holds a position of vantage in fabrication.

The per capita cost of food is greater in Britain than in any other country. The following comparison is for 1896, the costs stated being based on wholesale prices, to which 25 per cent may be added to equal retail prices:

	Britain	France	Germany	Italy	U. States
Grain	28s.	49s.	39s.	30s.	26s.
Meat	46	32	28	12	37
Dairy	28	23	24	13	24
Liquor	47	34	28	24	18
Sundries	45	37	38	25	45
	194	175	157	104	150
Earnings	727s.	624s.	493s.	280s.	882s.

Formerly, the United States supplied most of the wheat imported by Britain, the proportion for 1887-1897 being 51 per cent., the percentage falling to 17 in 1912, again rising, under the stimulus of high prices, to 26 in 1924. Only in the near future will high prices induce exports of American wheat, for the time is not distant when the United States will be a competitor for the breadstuffs of Canada. Diversified farming in the Western States is limiting wheat production, and industrialism is enlarging the demand for bread. Britain has been for long drawing more than one-half the surplus wheat of all nations: Russia and America were accustomed to furnish about 70 per cent of her needs; now new countries are passing through the wheat exporting stage. The tendency for wheat production to decline is in evidence: in this country, states that were formerly leaders in production of breadstuffs are being supplied from the far west, where new soil favors the growth of grain. Far away fields are now supplying Britain to a large extent: the costs of transportation from Argentina, Australia and India are

not conducive to cheap food prices for the manufacturing centers of Britain. And gigantic steamship combines of the past twenty-five years, with their rate fixing, have swelled the budgets of families to whom food is carried over thousands of miles. Every addition to the living costs of operatives tends to clog the wheels of industry, and now, with taxes enhancing every item of cost, the retrogression of six years is becoming more intensified.

Extraordinary circumstances, like those long succeeding the Industrial Revolution, may enable a country to neglect the paramount calling of agriculture; in fact a country may thereby acquire sufficient wealth, as did Britain, to enable her to long ignore economic laws, but when war destroys that wealth, it is futile to attempt to compete internationally in manufactured products. Low cost of essential food is the keynote to successful competition, and that is inconsistent with high rents and all other obstructions to agriculture, including taxes. The world-wide growth of urban and city population is coincident with rising prices of food in primary markets, as well as with increased costs of transportation; all urging intensive agriculture, looking to a return to the pre-eminence therein for which the British farmer was long conspicuous.

THE COTTON INDUSTRY

Although cotton was manufactured in Lancashire for centuries in a small way, the fibre coming from Cyprus and Smyrna, the first shipment of American raw cotton, only 91 tons, arrived in 1791 soon after the

spinning-jenny was invented by Arkwright. After Cartwright's power loom came into use in 1801 the industry expanded with great rapidity, as will appear from the following statement of fibre worked up:

1810	51,000 tons
1850	252,000 tons
1895	696,000 tons
1911	
1912	1,069,000 Average Tons
1913	

So rapid was the expansion after 1801 that before 1820 the extent of the cotton trade gave assurance that it would rank in importance second only to agriculture, the progress being due to the exclusive use of spinning and weaving machines, produced by Britain's great inventors. About 1830, these machines were first introduced on the Continent, but with the precedence that had been attained, and the continual improvements of the machines, Britain secured a commanding position in cotton fabrication. While she has fallen behind in quantity, she is still supreme as to quality; indeed it is doubtful whether other parts of the world can equal the fine goods of Bolton, Preston and Chorley. Both the climate of these localities and the expert skill of the workers conduce to the wonderfully fine quality of yarns and fabrics.

The product of 1850-1894 aggregated £3,898,000,000, of which £2,693,000,000 were exported and £1,205,000,000 consumed at home. Of imports of raw cotton in 1902, no less than 80.5 per cent came from the United States, but with increased use of Egyptian cotton, American importations fell to 52 per cent. of

the whole. The quantities of fibre manufactured by the United Kingdom, America and the Continent appear as follows:

Millions of Pounds.

Year	United Kingdom	America	Europe
1835	295	79	143
1850	565	225	
1860	1,140	434	
1870	1,168	530	750
1880	1,365	771	1,130
1890	1,618	1,150	1,735
1900	1,561	1,760	2,189
1908	1,783	2,025	2,610
1910	1,717	2,250	
1913	1,917		
1920	1,693	3,254	
1924	1,436		

The rapid growth of cotton manufacture in America is indicative of the natural tendency for each country to fabricate its own raw materials. The industry is being centered near the cotton fields of the Southern States, to which points the spindles of New England are being transferred; nearer the raw material, and nearer the food producing sections of the Union. America may be expected to long continue importing her usual supply of the finest cotton fabrics of Lancashire, but the volume thereof is not important: it was 44 millions yards in 1913; 163 millions in 1924 and 90 millions in 1925.

A movement confirmatory of the last mentioned tendency, likewise suggestive of continued impairment

of the British cotton trade, is taking place in British India. Exports thither in 1913 were 3,057 million square yards of cotton piece goods; falling to 1642 million yards in 1924 and further to 1421 million yards in 1925. And exports to other sections of the East have declined as below:

Millions of Yards.

Country	1913	1924	1925
China	717	293	173
Dutch East Indies	305	136	192
Straits Settlements	132	61	93
Turkey	361	89	95

The number of looms in India increased from 96,688 in 1913 to 137,238 in 1925, and the cloth product thereof from 274 to 405 million pounds. In addition 706 million pounds of cotton yarns were produced in 1925. Employes increased from 256,400 to 327,000 in the meantime.

Countries that produce raw materials are rapidly becoming manufacturers of these materials; consequently there are fewer calls on the islands that have long existed as the manufacturing centre of the world. The movement has been rapidly accelerated by the costs of war, that have left in their trail taxes that are unbearable by industry, and which may be alleviated only by financial reorganization.

THE WOOLEN TRADE.

Woolen mnufacturing, one of the most ancient of British Industries, developed to great importance on

the home fleece, to fill domestic needs. Even in 1825, wool imports supplied only about one-sixth of the fibre used; by 1888 that proportion had increased to three-fourths. The industry is of vast importance but its growth has been slow—only 1½ per cent annually for the nineteenth century, the pace accelerating after 1870. These figures are based on quantities instead of values, the latter having varied widely. According to values, exports fell from £20,877,017 in 1873 to £11,870,929 in 1902; partly due to lower prices and partly to growth of manufacturing in America, Germany and elsewhere. The home trade of Britain has enlarged more rapidly than population on account of an improved standard of living of the masses. With moderate taxation, stability and permanence would characterize the woolen trade, owing to the deservedly high appreciation of British yarns and tissues the world over. Now France and other continental countries are competing for the trade in woolens, invading even Bradford, the world centre for woolen manufacture. British exports of woolen and worsted tissues in 1924 were 221,582,000 square yards, falling to 179,597,500 in 1925. The importation of French and other fabrics has been increasing so rapidly that application was made for protection under the Safeguarding of Industries Act. Depression is apparent in every branch of woolen fabrication, which may become a mere home industry, protected by tariff and by other legislative measures against competition from those once prone to use British goods.

IRON AND STEEL INDUSTRIES

Of natural conditions favoring early precedence in iron and steel, the British Isles were endowed with wealth in ore, with abundant and suitable coal in proximity and with ready access to world routes of transportation. To these endowments of nature, circumstances added cheap labor, directed by professional skill, under inspiration of such leaders in the science of metallurgy as Dudley, Neilson, Huntsman, Bessemer, Thomas, Siemens and many others.

Britain held a commanding position in the iron trade for the first three-quarters of last century— producing over half the world's iron from 1840 to 1873: indeed, from 1800 to 1890 she smelted 257 million tons, against 306 millions for the rest of the world. Not only in iron and steel but in manufactures thereof she was supreme, as is indicated by the following statement of the disposition of iron, by tons:

Year	Make	Exports	Manufactured	Home Consumption
1835	700,000	20,000	160,000	520,000
1850	2,250,000	280,000	930,000	1,040,000
1870	5,960,000	750,000	2,080,000	3,130,000
1880	7,750,000	1,630,000	2,160,000	3,960,000
1894	7,430,000	830,000	1,880,000	4,720,000

After 1875 the United States and Germany came rapidly to the front in production of iron and steel; the former taking the lead in 1897 and the latter passing Britain in 1903. The world's output of pig iron in 1907 was about 60 million tons, of which the United States produced 40 per cent, Germany 20 per cent,

Britain 17 per cent. The United States produced 45 per cent of the steel of that year.

The following represents the standing of the four leaders in steel for the year 1913 and 1924:

Year	U. States	Germany	Britain	France
1913	31,301,000	18,959,000	7,668,000	4,620,000
1924	37,931,939	8,637,000	8,217,000	6,900,000

There were mined in the British Isles in the period 1913-1923, inclusive, 134,197,404 tons of iron ore, valued at £57,647,584, equal to 8s.7d. per ton. Ore was imported within the same time aggregating 61,972,574 tons, of value £99,320,020, or 32s.6d. per ton. Although 600 lbs. of imported ore thus equals in value 2240 lbs. of native ore, the metallic content varies only as 446 to 1000; in other words, imported ore contains 2.25 times the iron of native ore, and the metal is extracted at a smaller cost per ton of iron. British ore yielded 41 per cent in 1884; (Mulhall) that of 1910 contained 32.68, that of 1915 equalled 32.08, that of 1920 only 31.11 per cent. The decline in 36 years was almost 10 per cent; the last few years showing smaller progressive deterioration, probably due to selection of ores of higher grade. According to a report prepared in 1883 under direction of the French Government, Britain was producing steel at 20 per cent less than Germany and 40 per cent less than France. Iron ores of the British Isles then contained 41 per cent of iron, and coal and labor were cheap.

Railway construction absorbed immense quantities of iron and steel. There were 210 miles of railway in the world in 1830; in 1840 the United Kingdom had 838 miles, increased to 6,620 miles in 1850. In the latter year America had 9,020 miles, both countries drawing on the mines of Britain; and that only the beginning of railway expansion, with its rapidly enlarging demand for metals of all kinds. In time the strain exhausted the best ore; Scotland, South Staffordshire, South Wales and South and West Yorkshire being of the first fields to exhibit weakness. Supplies of ore from these sections declined by 65 per cent between 1855 and 1900.

No country has an inexhaustible supply of good ore; in most, if not in all countries, quality deteriorates in proportion as the supply is drawn upon. The extent to which the natural riches in iron of the British Isles were exploited may be appreciated from the statement that, of 563,000,000 tons of pig iron produced in the world from 1800 to 1890, no less than 257,000,000 tons came from British mines. With the present low grade of native ore, importations are essential, even to cover the demand for steel for home use; these importations coming mainly from Spain and Algeria. It is obvious that with unprecedented taxes and short hours of labor, Britain cannot compete for the international steel trade on ores imported from afar, against several nations more favorably circumstanced. The course of the industry since 1920 has established a fact that ought to have been apparent from the financial position of the country at the close of the war.

Referring to pig iron production, the chairman of a great corporation, partially engaged therein, said on December 15th last: "In the face of foreign competition, and with a lack of sustained demand, our prices

have been forced down until today they stand at less than 20 per cent above pre-war level." The output of pig iron is declining: in 1923 it was 7,438,500 tons; in 1924 a moderate decline to 7,318,900 tons and in 1925 a significant drop to 6,236,200 tons. Only in local markets were British producers enabled to compete and in this they were aided by cheaper fuel mined under government subsidy. In other countries conditions have been generally favorable, with increases of output quite general: this while Britain experienced one of her worst years in the history of iron and steel.

COAL MINING

British industry derived its impetus from an inexhaustible store of excellent coal—part of its original natural wealth. From 56 million tons in 1850, production grew to 287 million tons in 1913: a quantity greater than was mined in the world for the first twenty years of last century. Home consumption increased from 52 millions in 1850 to 180 millions in 1909. Exports rose to 94,431,668 in 1913, including bunker coal for foreign going vessels: Exports declined from 97,600,000 tons in 1923 to 79,300,000 in 1924 and further to 67,300,000 in 1925. Prices, which were 13s.10d. per ton in 1913, advanced to 79s.11d. in 1920; declined to 25s.2d. in 1923 and to 19s.10d. for 1925, closing at 18s.5d. Production, which was 278,500,000 tons in 1923 and 269,134,000 in 1924, fell to 233,289,000 in 1925. The impaired demand was partly due to depression in home industry, and partly to foreign customers being supplied by competing nations. Shipments to northern Europe and South

America were smaller than formerly.

A wages agreement between operators and miners was concluded in 1924, but the prospects of that time were so disappointed and ensuing losses of operators so heavy that they were compelled to abrogate that agreement early in 1925. Not only did foreign competition in coal cause price depreciation, but coal consuming industries at home were likewise confronted by competition they could not meet, the whole resulting in general industrial depression, with a falling off in the demand for coal greater than that suffered by the slackness of export demand. A deadlock in industry threatened, but the chasm was temporarily bridged by government subvention, with a monthly expense of £2,400,000 to the taxpayers, as a dole to Britain's most dependable industry. In the meantime, prices have continued to decline to the normal, with results that appear unsatisfactory to operators. The term of the subsidy is near its end, (April 30th, 1926) with prospects of renewal, or perhaps of increased cost to the government. The subsidy merely constitutes a return of taxes to one industry by which it, in common with all industries, is oppressed. The Chairman of the United Steel Companies in addressing the shareholders at Sheffield on October 26th, last, said: "I see no problems peculiar to the coal industry. The problem of that industry is the same problem as that which faces all the exporting industries of the country—namely, how to recover the foreign markets which we have lost owing to our inability to meet the prices of our competitors."

THE SHIPPING DEPRESSION

Of shipbuilding the Statist remarks in its review of February 13th, 1926: "Shipbuilding maintains the unenviable distinction of being the most depressed industry in this country. Ever since 1921 the volume of work has been steadily declining, and last year it fell to barely one-third of the capacity of the industry." At the close of 1925 there were building 217 ships, as compared with 404 ships building March 31st, 1924. In the first six months of 1924 vessels begun numbered 228; in the last quarter of 1925 only 53 ships were laid down. On the other hand, foreign yards increased their activities by one-third, Italy and Germany being in the lead. Motor driven ships are in favor, on account of their comparatively large cargo space and the saving in stoker's wages. Britain is building only three per cent of the motor tonnage of the world.

From the shipowners point of view, the remarks of Viscount Inchcape, at the annual meeting of the Peninsular and Oriental Steam Navigation Company that, last year was "the worst which shipping had ever experienced" and that, "Millions of tons were laid up, and few ships in commission were earning sufficient to cover working expenses," are illuminating.

The recent statement of the Cunard Steamship Company discloses profit reductions confirmatory of the remarks just quoted. In 1914, when capital of the Cunard company was far less than half that of 1925, income was £814,834, of which £418,949 was added to reserves, after payment of 20 per cent on ordinary shares: in 1925, with income reduced to £629,208 on its enlarged capital, 5 per cent was distributed on ordinary shares; the reserves were not increased and the creditor balance of profit and loss was decreased more than £25,000.

And another important company, Harland and Wolff, have had a poor year, earning little more than the first preference dividend and making no dividend for second preference or ordinary shares.

FOREIGN TRADE

Exports are stated in trade returns at the invoice prices of the goods shipped plus the charges of shipment. Imports are reported with freight, insurance, commissions and so forth added. Thus, aggregate imports of the world always appear as greatly in excess of exports. For example the imports of the world for 26 years after 1860 were £32,786 millions and the exports £29,419 millions. The difference is borne by the importing countries and is correctly entered as increased value of the goods at their destination. Freight by sea is generally claimed as invisible exports by the country to which the ships belong, but only net profits on shipping are entitled to be so considered. When, as at present, shipping is not paying its way, such invisible exports have no existence. Returns such as interest from and profits made in foreign countries, less payments of like revenue to foreign countries are entitled to be treated as exports, as is also the excess of expenditures by travellers within a country over like expenditure by her nationals in foreign countries. At best the latter balance is a mere guess.

Net imports and exports for certain years have been:

Year	Imports £s	Exports £s	Excess of Imports £s
1913	659,168,000	525,254,000	133,914,000
1923	977,682,000	767,258,000	210,424,000
1924	1,137,469,000	800,967,000	336,502,000
1925	1,168,447,000	773,086,000	395,361,000

The imports and exports of 1925 may be analyzed as follows:

Imports			
Food, drink and tobacco		£571,613,000	
Less exported		54,997,000	£516,616,000
Raw materials		425,209,000	
Less exported		84,371,000	340,838,000
			857,454,000
Exports			
Manufactures & sundries		633,718,000	
Manufactures imported	326,036,000		
Re-exports	154,411,000	171,625,000	461,093,000
Deficit			395,361,000

Net imported food, drink and tobacco cost more than the favorable balance of manufactures, so that raw materials imported become part of the astounding trade deficit: a deficit that cannot be fully explained by juggling with surmises regarding invisible exports.

As a matter of fact, borrowings abroad are so enormous as to sink out of sight the wildest statements regarding invisible exports. In 1913 the foreign food bill was £261,274,000 and the manufactures £413,-820,000: in 1925 imported food was £516,616,000 and manufactures £633,718,000. In the former year foreign food cost 63.1 per cent of the country's product: in the latter 81.5 per cent.

The year 1913, like a score of its predecessors, was of normal prosperity. Foreign and colonial tourist travel was at flood tide; shipping was profitably engaged and industry was more satisfactory than it has since been. Albeit, there was a growing tendency towards luxury and sport, with week-ends of increasing length, all sapping the energy of the nation. The masses, having attained full rations, were imitating their superiors by attending games, devoting to enjoyment two half holidays weekly and numerous fixed holidays. More leisure stimulated the natural longing for fewer working hours. The 74-hour week of labor of the old days with stinted rations, had been displaced by 48 hours, or less, with full rations. The hourly energy of the nation had been enormously decreased and the cost per unit of that energy enormously increased.

Naval competition was steadily advancing the costs of government, which, with the added expenses of the people through a higher standard of living, reduced the yearly increment of wealth to a small fraction beyond one per cent, the rate after 1905 showing at 1.13 per cent. At that rate the increment for 1913 appears as £160,000,000. Consequently, invisible exports must

have been less than that figure. And at present they are simply swamped by heavy borrowings abroad.

THE WEALTH OF 1913

The wealth of the United Kingdom has been estimated from time to time by numerous statisticians and by various methods; there being general agreement in the result for any given time. Of the eminent economists who have made these calculations within the past one hundred and thirty years, mention may be made of Beeke, Colquhoun, McCulloch, Porter, Giffen, Mulhall, Chiozza Money and Dr. Josiah Stamp. Through prosperity, with intervals of depression, the average rate of yearly increment appears as 1.86 per cent for one hundred years before the recent war; the rate slowing after 1875 to 1.33 per cent, under foreign competition.

Students of the subject should study "Riches and Poverty" by Chiozza Money, 1910, and also that exhaustive work, "British Incomes and Property," Stamp, 1916. Money and Stamp, amongst the foremost statisticians of the time, are in virtual agreement and their findings confirm the work of Sir Robert Giffen and others of note who preceded them. Therefore, the estimate of the wealth of 1914, as computed by Sir Josiah Stamp, £14,300,000,000, with a range of doubt of £1,900,000,000 has general acceptance.

The findings of economists of many decades may be summarized at 1913 as below:

Wealth of 1913, in millions

Personal property		
Stocks, funds, shares; home, colonial and foreign		£3,630
Cash, mortgages, trade assets, land, household effects and all personal property		5,370
		9,000
Equal to the value of property passing at death in 1913 (£299.4 multiplied by 30, although Bernard Mallett demonstrated in 1908 that the multiplier should be 26)		
However, the whole is popularly set down at about		13,500
Imperial property		700
Municipal or Local property		1,400
		£15,600
Less:		
National Debts	716	
Municipal Debts	655	1,371
		14,229

The reasons for multiplying the aggregate value of the estates passing yearly by 30, instead of 26, Mr. Mallet's multiplier, are that an undefinable amount of property is disposed of before death, and there appeared a general unwillingness amongst economists to assume that foreign securities and property do not

amount to more than probate figures indicate. These reasons are partially valid, but a difference of nearly five billion pounds sterling is not sufficiently accounted for. In any case, we may feel assured that the wealth of 1914 was not underestimated.

War inflation increased prices, necessitating higher salaries and wages, stimulating profits of internal trade. For the year 1919, before the peak of inflation, salaries of corporation and public company officials were £356,240,010 against £116,979,207 in 1913. And the salaries of government and other officials, not included in the last sentence, multiplied almost threefold. For purposes of taxation, the profits from occupied lands were assumed to have increased almost sixfold in six years.

The income tax of 1919 yielded £336,555,563; the normal tax was 6s in the pound and the produce of each penny in the normal rate was £4,674,383. The tax paid on incomes averaged 4s.9d.

"The estimated number of incomes in Great Britain and Northern Ireland above £130 a year in 1923-4 was 4,700,000; the number actually chargeable with tax was estimated at 2,500,000." (Statesman's Year Book 1925, page 39.)

Of gross income the proportions taxed were: for 1913, .678; for 1916, .591; for 1918, .526 and for 1919, .477. The gross income has been as follows:

1913	£1,167,200,000
1916	1,662,700,000
1918	2,445,000,000
1920	3,447,000,000
1921	3,214,800,000

From the enlarged figures of 1920 some writers made extravagant estimates of wealth, estimates that were absurd on any inference other than that war was Britain's most profitable engagement. But prices and wages are somewhat steadily falling to the normal, and as they fall, so fall the figures of gross national income. The wealth of Britain in 1919 must have been less than that of 1913 minus the cost of the war: leaving wealth at about seven and one-half billions. Credits are tremendously swollen, with the usual accompaniment of inflated values: for example, according to estates probated, the value of realty in Britain, proper, may be stated at £1,641,000,000 in 1899; £1,368,000,000 in 1913 and £2,510,000,000 in 1922. Exaggerated credits continue to obscure true conditions.

BANKING

Banks of the United Kingdom, including the Bank of England, had assets of £1,392,807,000 in 1913 and public liabilities of £1,257,431,000, the latter protected by the small proportion of capital funds of .1077. About the close of 1925 the proportion of capital funds of commercial banks was only .072, and that of the Bank of England .058. The liabilities of commercial banks were more than double those of 1913, standing at £2,484,158,000, even as against about £2,250,000,000 at the peak of the post-war boom and of prices in 1920. Loans of commercial banks were then approximately £1,580,000,000; they now are £1,411,000,000. In the meantime prices of commodities, which govern the volume of active commercial loans,

have fallen 48 per cent; and in 1920 commercial commitments were extraordinarily heavy; they are now at the minimum, owing to prolonged depression. Nevertheless loans increased in 1925, although prices fell 11.16 per cent during the year. Manifestly the loans are not of the high class that active commercial loans are recognized to be. While loans have tended to increase during 1925, investments have been realized to keep up cash balances; the realizations of the "Big Five" aggregating £38,226,000, or 12.87 per cent of their holdings. There are no means of correctly estimating the amount of bonds of the British Government that have been attracted to America by their ready market in New York.

Every banker knows that in times of deflation, with falling prices, it is not possible to maintain the normal volume of high class loans; good borrowers are prone to reduce or pay off loans when prices are so low that dealers do not require full lines of credit. But fixed loans, loans against plant and other inactive assets, maintain their volume regardless of commodity prices. In times of depression, bankers with well selected commercial loans find difficulty in maintaining ordinary profits. Owing to reduced offerings of desirable loans they are often impelled to buy bonds to keep up earning power. During the great depression in the United States, between 1892 and 1897, prices declined almost 20 per cent, which decline was accompanied by a fall of 12.6 per cent in national bank loans. And, naturally, investments were increased to maintain profits, the increases exceeding 40 per cent. Despite the long depression in Britain, accompanied by a fall of 48 per cent in prices, loans there are near the maximum, and

in reversal of the regular course in times of deflation bonds are being sold to maintain cash reserves. These indications of the quality of the mass of British bank loans are supplemented by an occasional admission at debtor company annual meetings that great sums are being carried over by bankers until better times intervene.

In the absence of systematized information, it is only possible to estimate the quality of bank assets in the aggregate by reading the signs, such as those above indicated, and these are generally infallible. It is strange that in Britain there is no organized system of bank returns: indeed, in Webb's Dictionary of Statistics, page 56, we find the amount of gold in the Bank of England mentioned, with the explanation, "The amount of gold in the hands of other banks was unknown." That refers to 1908. In the Economic Journal of December last, Mr. J. Sykes of London, in treating of the increase of current expenses and the decrease of earnings of amalgamated banks, compared with results under their former state, found a lack of statistical data and was constrained to censure "the undue secrecy which has long been characteristic of English banking methods." And, a few weeks earlier, the author hereof when likewise dealing with earnings and expenses of banks, wrote: "The writer, after persistent effort to obtain statements of British banks which would afford information of special value for purposes of comparison, has concluded that the quest is vain. A bald statement of net profits and their allocation seems all that is available regarding earnings. Particulars such as gross earnings, salaries, taxes, general expenses, losses and so forth are not given."

Probably the gold holdings of Britain may be estimated now more correctly than before the war. That important second cash reserve of the country, gold in general circulation, was absorbed in the war years. The holdings of commercial banks were said to have been turned over to the Bank of England: there appears no information to the contrary, and as the Treasury was raided of its gold reserve in April 1925, to make a showing for the Bank of England, it may be assumed that the latter holds virtually all the gold of the country. On that holding, about £150,000,000, the following credits are based:

Currency note issue	£270,000,000
Bank of England notes	163,000,000
Bank of England deposits	136,000,000
Treasury bills	625,000,000
Commercial bank liabilities	2,485,000,000
	3,679,000,000

The financial position above indicated sufficiently explains the reasons for frequent visits by important British personages to the Federal Reserve Banks and to the United States Treasury. In 1839 and on one or two other occasions these hegiras had Paris as the objective. It ought not to be forgotten that in 1839 the Bank of France generously saved the Bank of England.

In the light of history of joint-stock banking, it may be said with assurance that capital and reserve accounts of British banks are wholly inadequate to guarantee liabilities of the present enormous proportions. The shareholders interest in 1880 was 19.27 per cent; by 1919 that guarantee of liabilities fell to 5.45 per cent. If the bankers of forty years ago were capable, those of recent years have been culpably reckless. Bankers of the former time were discreet in their forecasts: they were not accustomed to broadcast, almost in unison, assurances due to be promptly discredited, as were those of the closing weeks of 1925.

The following percentages of capital and reserve to public liabilities of banks in Great Britain and Ireland indicate how far optimism has carried bankers from the more conservative practices of 20 to 45 years ago:

Year	No. of Banks	Per cent of capital funds to public liabilities
1880	101	19.27
1890	124	17.
1895	155	15.14
1900	111	14.14
1905	88	13.75
1910	83	12.23
1913	77	10.77
1914	70	9.36
1918	54	5.98
1919	49	5.45
1920	48	5.96
1921	47	6.19
1922	54	6.62
1923	47	6.70
1924	45	6.86
1925	43	6.98

Cash reserves now consist of credit instruments, most inadequately backed by gold and unsupported by hope of active industry and trade. All now depends on continued borrowing from America, without which the picture would soon change to its true colorings.

NATIONAL INCOME AND GOVERNMENT EXPENDITURE

Splendid efforts in the great war impoverished Britain, involving a national debt of £7,708 millions. Yearly taxes are about £800 millions, with a tendency to increase rather than to decrease as was anticipated. These taxes average £90. 15s per family of five persons. According to Chiozza Money, families comprising 39,000,000 persons earned not more than £160 each in 1908. Besides, of the less stinted, there were 820,000 families with incomes from £160 to £700 and 280,000 of the rich or well to do. Naturally the impression may be formed that the few rich bear all the taxes, but any such conclusion is at variance with the economic history of the United Kingdom for the first half of last century, as we shall see in a later chapter.

Costs of government now exceed the gross national income subject to taxation for any year prior to the war: they exceed the gross national income of people above the poverty line for any year previous to 1901. And, in this connection, gross national income means all profits from ownership or occupation of lands; all profits of corporations and their business concerns; all interest or revenue from home or foreign bonds and properties; all receipts by the professions; all salaries of government, corporation and public company offi-

cials and all wages that were not so small as to be exempt on the ground of indigence of the earners. Let it be clearly noted that we are dealing with GROSS income of the people and that net income is inconsiderable compared with it. Does any one believe that real earnings and profits of the people are as great as in 1913, or in any year for half a century before that time? Wages and salaries are higher in keeping with increased costs of living, and we have seen that realty values have been temporarily enhanced by circumstances following war. Salaries of government, corporation and public officials aggregated £137,884,036 in 1913; eight years later they were £557,816,819. And in the same time assumed profits from the occupation of lands, for purposes of taxation, were accelerated tenfold. Inflated credits and costs have befogged the outlook.

A comparative statement of per capita imports and exports of 1913, together with those of post-war years corrected to the price level of 1913 may fairly, although somewhat inaccurately, indicate the general drift of recent years:

In pounds and decimals thereof

Year	Impts.	Expts.	Price level	Imports	Exports
				Corrected to price level	
1913	14.42	11.49	100	14.42	11.49
1919	31.70	17.33	242	13.12	7.16
1920	36.48	28.46	295	12.35	9.65
1921	20.70	14.89	182	11.34	8.20
1922	18.92	15.17	154	12.30	9.80
1923	22.50	17.67	152	14.80	11.60
1924	26.	18.35	164	15.90	11.20
1925	26.65	17.65	160	16.66	11.02

The per capita excess of imports over exports was 58s.7d. in 1913 and 113s.9d. in 1925.

Government expenditure exceeds the total exports: for 1925 expenditure was £799,436,000 and the net exports were £773,086,000. There were imported raw materials costing £425,209,000 so that the surplus of exports over raw materials imported was less than half the costs of government. Besides there were imported £326,036,000 of manufactures, less £154,411,000 re-exported, the difference being £171,625,000.

We thus have, in millions of pounds:

Products exported		£773.
Raw materials imported	£425.	
Manufactures imported	326.	
	751.	
Less:		
Manufactures and other re-expts.	154.	597.
Excess of exported products, net		176.
Food imported	571.6	
British products exported, net	176.3	
Trade deficit		395.36

The production of textiles, of coal, of steel and its manufactures, of ships, of machinery, of tin, of earthenware and many other articles is all that sustains the economic life of Britain; therefore when the net result from these products has fallen below one-third the value of imported food one looks in vain for justification of optimistic forecasts that are serving as credit propaganda.

Government expenses call yearly for over £90 for each family of five persons. More than eight-tenths of families do not contribute to the income tax; although of course none can escape the indirect taxes on items connected with living costs. The costs of government have increased fourfold since 1913, when the per capita charge was £4.6s, with an annual charge on wealth of 1.38 per cent: wealth being £14,300 millions. If loss by the war is estimated at £7000 millions, and it cannot have been less, wealth is now bearing an annual charge of almost 11 per cent; which is equivalent to saying that it is being impaired by not less than 8 per cent yearly. If it were reasonable to assume that Britain did not lose during the years of war, and that her capital of £14,300 millions remain intact, the charge would be almost 5.6 per cent yearly, with an impairment of wealth of not less than 2.5 per cent. New countries may acquire wealth with rapidity proportionate to the rate at which natural resources are exploited, but older countries rarely accumulate by more than 1.75 per cent on the national capital. The increment in several countries appears to have been:

United Kingdom	1875-1914	1.33 per cent
France	1840-1912	1.65 per cent
Germany	1888-1908	3.64 per cent
United States	1870-1922	4.65 per cent
Canada	1861-1924	3.9 per cent
Australia and N. Zealand	1870-1888	5.31 per cent

The above figures for Australasia cover the period of intense activity preceding the bank crisis, 1890-

1893, the developments of which indicated that property of 1888 was over-valued. The rate of increment from 1870 to 1903 was 3.42 per cent. No country can expend over 5 per cent of its net worth in yearly expenses of government: no old country with depleted natural resources can improve financially under taxes of even 2 per cent on the value of its net property.

The net worth of public and private property in Britain and Northern Ireland in 1919 probably was not in excess of £7,300 millions, and the measure of prosperity since that time compares most unfavorably with the period 1875-1914, when the rate of increment was 1.33 per cent. But assuming that recent years were equally prosperous the following insurmountable problem confronts the country:

Taxation, 10.95 per cent of wealth.	
Less average rate of increment	1.33 per cent
Plus normal taxation	1.38 per cent
The limit of bearable national taxation	2.71 per cent
Therefore, we have to consider	
Present taxation	10.95 per cent
Less bearable taxation	2.71 per cent
Yearly impairment of wealth	8.24 per cent

Within history, no populous country has been capable of bearing the burden under which the industries of Britain are now being ground to extinction, with the workers being driven to revolt against a return to an unbearable standard of living, which the

outlook appears to indicate as unavoidable. Even if taxes were reduced until their weight on property would fall to one-twentieth of the present load, conditions for progress would be truly moderate, with natural wealth mostly exhausted and population so great that food needs to be largely imported. Experience of many decades has fixed the net income of the whole people, out of which costs of government are payable, at not more than 3 per cent. Perhaps no large country has been so conspicuously and continuously prosperous as America, and yet with all the natural riches with which she was endowed, riches that brought millions of immigrants and their belongings to her shores, there has been no period in her experience when a tax on wealth proportionately as great as that to which Britain is now subjected would not have brought bankruptcy. References have been made to American development following the Civil War. In 1880 the population was 50,156,000, with wealth of $43,642,000,000; by 1900 population had grown to 76,300,000 and wealth to $88,517,000,000; the growth of the latter having been at the yearly rate of 3.6 per cent. The people had paid Federal taxes approximating .53 per cent on average wealth; so that the yearly net income of the whole people, available for taxes and savings, averaged 4.13 per cent. Manifestly, if wealth of 1880 had been taxed 10 per cent or even 5 per cent, it would have taken to itself wings. If the people of 1880, of greater number and wealth than the people of Britain of today, had been taxed $4,000,000,000, instead of $265,000,000, poverty and not opulence would represent their present condition.

THE NATIONAL DEBT.

The national debt is of quite modern creation; it was only £52,000,000 in 1727, growing to £127,000,000 in 1775 and further accelerated by unjust wars thereafter until there was outstanding in 1815 nearly £900,000,000. At the outbreak of war in 1914 the debt stood at £678,000,000; since when it has grown as follows:

Year.	Debt.	Annual charge.
1919	£7,481,000,000	£270,000,000
1920	7,879,000,000	332,000,000
1921	7,623,000,000	349,600,000
1922	7,721,000,000	332,300,000
1923	7,813,000,000	324,000,000
1924	7,708,000,000	347,300,000
1925	7,667,000,000*	
1926	7,700,000,000*	

The estimated assets at the end of the fiscal year, 1923, were:

Suez Canal Shares	£19,206,335
Funding Loan and Victory bonds, tendered for Death Duties, held till drawn	30,163,221
Exchequer balances at banks,	6,818,167

Of capital assets realized, properly due to be earmarked for the liquidation of debt but which were improperly treated as revenue and disbursed for current expenses, there were war assets costing probably £4,000,000,000, sold for about £1,350,000,000. Besides, there were other abnormal receipts—salvages

*Estimated.

of war—including reparations; payments by Germany to the end of 1923 being £126,800,000 net.

Particulars of these dispersions of national capital are not set out in the Chancellor's reports nor in the Statistical Abstract. Although capital assets are thus being realized and improperly called revenue, the world is being erroneously assured that the budget is being balanced. At the time of receiving the Geneva award, the United States promptly appropriated the amount towards liquidation of national debt incurred during the Civil War. The British national debt, internal and external, was enlarged through the purchase of war stores, the sale of which produced about £1,350,000,000, that was no more entitled to be called revenue than would the proceeds of Suez Canal shares, if sold.

At the dissolution of the United Kingdom by the secession of Southern Ireland, without any dimunition of the national debt, the wealth as computed in 1914 was further decreased by about £400,000,000.

BRITAIN AFTER NAPOLEON AND AFTER WILLIAM II OF GERMANY.

Comparison between the financial and industrial circumstances of Britain in 1815 and in 1919 seems desirable in view of the oft repeated statement that her plight was worse after the French wars than it now is.

Before the close of the Napoleonic wars the edicts against British commerce made by "the dictator" had so far lost their force that, in 1814, British exports exceeded all previous records, and they were surpassed

by those of the following year. Exports continued largely in excess of imports until 1850; despite canal construction; intense railway development; epochal extension of highways, with improvement of turnpikes under the influence of the Scotch engineer, Macadam; the erection of central textile factories and the general betterment of public property. Vast expenditures on public utilities and for manufacturing may indicate growth of wealth although trade balances are adverse, but in that time these balances were distinctly favorable. Now, trade deficits are at their worst, without any development of property or industry to justify them. The deficit of 1925 was greater than the increase of wealth of the United Kingdom in any year of English history.

The warehouses of the British Isles were filled with food and manufactured goods after Waterloo; they were all but empty in the fall of 1918; hence the imports of 1919-20 amounting to £3,559 millions, with a trade deficit of £1,338 millions. The excess of consumption was £33 per inhabitant; whereas in two years after Napoleon the excess of production was over £2 per capita. In short, in 1815 the people of Britain promptly took the road towards financial reconstruction, but in 1919 and since, in the bewilderment of national pride, they have adhered to the easy path that can have only one end.

Near the close of the French wars, the world was simply hungering for goods of British manufacture; these goods were cheap, as they were made by machinery, of which Britain had the monopoly. This advantage accrued from the genius of her inventors. To

James Watt, Hargreaves, Arkwright, Crompton and many others the establishment of British credit was due.

The following are the figures, in thousands, of the imports and exports for seven years following the Napoleonic war and also for a like period after the late war. For the former, official values are given which are only sufficiently accurate to indicate the trend of commerce:

1814-1820					Surplus
1814	Exports	53,573	Imports	33,755	19,815
1815	Exports	58,625	Imports	32,987	25,638
1816	Exports	49,198	Imports	27,432	21,766
1817	Exports	50,404	Imports	30,834	19,570
1818	Exports	53,561	Imports	36,885	16,676
1819	Exports	43,439	Imports	30,777	12,662
1820	Exports	48,952	Imports	32,439	16,513
					£132,642

Seven years Surplus £132,642,000

1919-1925					Deficit
1919	Imports	1,626,156	Exports	963,385	662,771
1920	Imports	1,932,649	Exports	1,557,223	375,426
1921	Imports	1,085,500	Exports	810,319	275,181
1922	Imports	1,003,099	Exports	823,202	179,897
1923	Imports	1,096,226	Exports	885,802	210,424
1924	Imports	1,279,845	Exports	935,514	344,331
1925	Imports	1,322,858	Exports	927,497	395,361
					2,443,391

Seven years Deficit £2,443,391,000

Exports of textiles for 1814-15 were not surpassed for more than thirty years.

The per capita wealth of the British Isles in 1820 averaged £100, against not more than £175 in 1919. Taxation per family of five was £13 in 1820; it is now £90. The gross national income was about one-fourth that of 1914. Agriculture was more remunerative than at present and landlords were battening on high rents. Under famine prices for bread, wages rose 30 per cent between 1800 and 1812; falling thereafter until the laborer received about one-fifth less in 1821

than in 1800, or practically 55 per cent of the wages of 1902. From 1800 to 1844 the working classes were kept in poverty through low wages, accompanied by high prices for bread—the latter due to a protective tariff favoring the landed interests.

It is simple truth that the workers and their families were kept in a state of semi-starvation, from which they slowly emerged after 1827. In 1844 Frederick Engels published a book in Berlin on the condition of the working classes in Britain, which F. W. Hirst, in Porters Progress of the Nation, 1910, characterizes as the most scathing denunciation of social injustice that has ever been penned. Fifty years after publication Engels' book appeared in London! Those who have read the volumes published on the factory movement, notably by "Alfred" (Saml. Kydd) will be loth to credit the statement that the impoverished workers and their families were made to bear the burden of carrying the national debt of 1815, but such is the fact.

Real wages were so inadequate at the beginning of the nineteenth century that famine prevailed in the homes of the workers. The harvest of 1795 was short, wheat rising to 126 shillings per quarter of 480 pounds. In 1796 there was a better crop and wheat declined to 56 shillings per quarter. But in 1797, 1799 and 1800 the harvests were very deficient and in the first and last of these years the quality was poor. Prices reached 92s.7d. in 1799, 139s. in 1800 and 180s. in 1801, when the four pound loaf cost 1s.10½d. Breadstuffs continued dear under influence of the Corn Laws; the average of wheat being 122s.8d. in 1812

and 106s.6d. in 1813. Owing to inability of the masses to buy sufficient food and to improved crop conditions wheat prices fell to 54s. in 1814; whereupon, in the interests of the land owning class (who dominated parliament) a further protective change in the Corn Laws was enacted in 1815.

Wheat was comparatively cheap on the Continent in those years of dearth for the British poor and of enrichment for the landlords. The average prices of wheat in European countries were as follows:

Period	Britain	France	Italy	Germany
1791-1800	16.	10.10s	11.5s	
1801-1810	21	11.10s	13	
1811-1815	23.10s	14	14	
1816-1820	20.5s	14.15s	12.4s	
1821-1830	15.	10.10s	7.1s	8.3s
1831-1840	14.6s	11.	8.1s	7.14s

From the earnings of the masses and the high cost of wheat it is obvious that the consumption of bread was limited to dire necessity. The custom of estimating the crop by assuming that six bushels per capita was consumed gives incorrect results for the first half of last century. A series of bad crops followed the time when Arthur Young estimated the yield of wheat per acre at 23 bushels. Indeed it may not have averaged more than 18 bushels for 1800-1805.

Comber, quoted by Mulhall, estimated 22 bushels for 1810-1815 inclusively; McCulloch calculated the yield at 31 bushels for 1840-1846, and Sir James Caird

adopted 28 bushels as the probable yield for twenty years following 1857. Deducting two bushels for seed purposes and reducing the yield by three bushels for bad seasons, the per capita consumption may be stated as follows:

Production and Importation of Wheat

Year	Acres in thousands	Million bushels	Imports millions
1800	3,000	54.	4.9
1812	3,160	63.2	2.
1820	3,300	76.	.3
1831	3,800	87.4	12.
1846	3,800	110.2	20.
1924	1,594	48.3	219.5

Consumption (in bushels) and Population

Year	Consumption millions	Population	Cons'ption per capita
1800	58.9	16,200,000	3.64
1812	65,2	18,000,000	3.62
1820	76.3	20,984,000	3.62
1831	99.4	24,133,000	4.11
1846	130.2	27,000,000	4.82
1924	267.8	43,629,000	6.14

As a goodly proportion of the people were well fed, the food consumed by the masses could not have been more than one-third of the rations necessary to well-being. Of those that were well fed, agriculturists were prosperous; they consisted of more than 30 per cent of the population. Domestics constituted 14 per cent of the people and their employers would likely provide them with sufficient food. There were engaged in the professions 2 per cent; in commerce 6 per cent, and there were the well-to-do as well as the moving population staying at hotels: altogether there were about 60 per cent of the people enjoying a slightly limited ration, in which would be included about 5.14 bushels of wheat per capita. This per capita allotment of wheat is selected as it agrees with Porter's reports of food consumption in seven London establishments in 1841, four of the institutions being asylums and all the establishments containing a large percentage of children. The number fed was 1904; the bread consumed being 314 pounds each.* In all the circumstances, the consumption of wheat 1800-1820 may be estimated as follows:

*The bread making value of wheat varies in different countries. In England, 100 pounds of wheat may be converted into about 105 pounds of bread; therefore, wheat and bread in weight are approximately syncnymous terms.

Average population	18,400,000 persons
Wheat consumed, yearly	66,800,000 bushels
Wheat per person	3.63 bushels
11,040,000 persons consumed 5.14 each	56,750,000 bushels, or
7,360,000 persons consumed 1.37 each	10,050,000 bushels, or
18,400,000 persons	66,800,000 bushels

The normal consumption of 18,400,000 persons for 21 years, at 6.14 bushels yearly, would be 2,363,000,000 bushels

Assumed consumption, as above, at 66,800,000 yearly for 21 years	1,397 million bushels
Economic gain by stinting	966 million bushels

As the price of wheat averaged 11s. 3d. for the 21 years, the saving to the United Kingdom, through the stinting of food, was, in part, 970,000,000 bushels, of value £545,625,000 or .645 of the national debt saved within a comparatively short time. Let it be noted that the masses did not then use meat, the normal consumption of which is now 120 lbs. per capita, yearly.

The saving on food above referred to was absorbed by the landlords. Wheat prices in England enhanced from £8.13s. per ton in the early part of the eighteenth century to £11.10s in the second half, and further to £21.9s for 1801-1820. Of the latter period Professor

Thorold Rogers wrote, "Many of the poor perished by want, and nearly all persons were stinted. But it was a time of great prosperity for the landed interests." The prosperity of landlords may be measured by capitalization of rents, on the basis of 30 years purchase. Increases of rents are shown below, together with the capitalization thereof:

Year	Rental	Authority	Capitalized value.
1776	£22,440,000	Young	£673,200,000
1800	32,600,000	McCulloch	978,000,000
1815	46,505,000	McCulloch	1,395,000,000
1843	54,390,000	Official	1,631,700,000
1880	69,550,000	Official	2,086,500,000
1888	61,250,000	Official	1,837,500,000

Increased rents collected between 1800 and 1843 exceeded the national debt outstanding at any time prior to 1914. The landlords, the wealthy class that dominated parliament, became richer and the poor poorer; yet the latter were forced by the ruling class to bear the costs of all Britain's wars. "Blessed are the merciless, for they shall obtain money."

We have referred to prices of wheat on the Continent for the years when the masses of Britain were able to buy scarcely one-half the bread their limited earnings equitably entitled them to. The result of starvation thus imposed in 1800-1844 found expression in the lowering of physical requirements of recruits for the Boer War.

To those disposed to challenge statements regarding degradation and wretchedness and famine, the request is made that they account for the crimes against

property then prevalent, on any hypothesis other than that of desparation to relieve unbearable distress. With improved distribution of the essentials of life the people of Britain have shown that they are of the most law abiding races of the world. The masses of 1800-1850 had natural characteristics in nowise inferior to their descendants of today. A century ago penal colonies were essential and executioners were kept busy inflicting capital punishment for even minor crimes.

Liberty is taken to quote the following from Porter's Progress of the Nation, 1910, page 106: "The extreme and brutal severity of the criminal code led to constant refusals to convict on the part of juries. Between 1805-1810 only 59 per cent of those committed were condemned. Yet in 1817, 1,302; in 1820, 1,236; in 1831, 1,601; and in 1832, 1,449 persons were sentenced to death. Death was the penalty for over forty offenses when in 1810 Samuel Romilly in vain proposed that it should be abolished in the case of theft from a shop where the article stolen did not exceed 5s. in value, or from a dwelling or bleaching ground where it did not exceed 40s. In the House of Lords, Eldon and Ellenborough strongly opposed any such change. The latter said, he trusted 'that the law which a century had proved to be beneficial would not be changed for the illusory opinions of speculatists.' In 1812 capital punishment was removed in the case of soldiers and sailors found begging in the streets."

A small fraction of humanity is constituted with criminal instincts, but dire want was the incentive to crime in Britain and Ireland—if pilfering for self-preservation or the saving of life of one's family may

be called crime. Only under a caste system where lower orders are regarded with antipathy would capital punishment be thought of in connection with pilfering a roll of bread to relieve hunger. For the ten years, 1840-49, yearly committals for crimes number 57,175; falling in forty years to 14,470. The first decade. 1840-49 included wholesale evictions in Ireland by the torch method, when 1,009,000 died of famine in 1846-1847. For the full decade yearly committals averaged 25,250: for 1880-89 the average was 3,320. Unmistakably, the cause of the great prevalence of crime in the United Kingdom in the first half of last century was want, so intense that the most barbarous criminal code failed to deter from theft.

CONCLUSION

The subject of this inquiry, while sociological by analogy, mainly relates to the growth of aggregate wealth of a people. It presents for contemplation and estimation the relative progress of a country where the population toiled to the limit of endurance on food and supplies stinted to the line of subsistence, compared with the prospects of their descendants, grown to circumstances of moderate luxury in consumption, on hours of work barely one-half those of their ancestors.

Of other circumstances for comparison, in 1815 the national debt was £41 per capita, in 1919 it was £175, and although since the end of the late war capital assets have been realized to about one-fifth of the debt, the debt has not been reduced. Indeed, with militarism generally deemed essential to maintenance

of Britain's standing as a world power, the impossibility of devoting realizations towards liquidation of debt is manifest. The cost of national defense per capita is now more than five-fold that of 1822 and more than seven times that cost for 1835, when expenditure on war purposes was £11,657,487 against £115,311,000 for 1924-5. Through industry and profitable trade the national debt of 1815 began to be reduced in 1817. On the other hand an enormous increase to the debt of 1919 has been avoided by conversion of capital assets.

For long after Napoleon, Britain controlled the trade of the world, the demand for her machine manufactured goods stimulating industry to the limit of capacity. She enjoyed monopoly of fabrication by machinery and produced the finest as well as the cheapest goods. Labor was abundant and cheap to the point of starvation of operatives. Weekly hours of toil were 74 and upwards. There were no complaints, as the necessity for food was ever present. The law rigorously suppressed associations of workmen for consideration of wages. Not until 1853 did workers benefit from the right of collective bargaining on remuneration for work, but the benefit has been great, despite enormous losses that have resulted from strikes, rightfully or otherwise called to strengthen labor's demands. In the end, labor has attained a dominant position in politics as well as in industry and is using its power inflexibly, with small regard to the common good. Workers are entitled to a living wage and employers properly insist on a living profit. Often, as in the coal deadlock, both sides are right. but conditions do not admit of a living wage without

loss to the operators. In the circumstances the government is bearing the loss. Unless labor recedes, the mines may become nationalized, with greater loss to the public than is now represented by the subsidy of £2,400,000 per month. To a lesser extent all industries are similarly affected, the degree being governed by the cost of labor in proportion to the whole cost of production. The trouble is unbearable taxation, with inflated prices, as well as the high cost of feeding the people on food transported thousands of miles.

There are two remedies that offer amelioration of the present economic insufficiency: one is lowering of wages and lengthening of hours until workers and their families approach the poverty and degradation of one hundred years ago. That is unthinkable and would assuredly cause revolution. Yet, the remedy proposed in the coal difficulty is reduction of wages or lengthening of hours. Another remedy, and the only practical one, is financial reorganization of national finance on a basis that will reduce taxation to not more than one per cent of the actual wealth of the country. The welfare of the many ought to have prime consideration: that welfare demands that industry shall be at once placed on the best earning basis that the circumstances of the country, when largely freed from internal and external debt, will permit. And amongst these circumstances let it not be overlooked that there is a surplus population of not less than 20,000,000 burdening the national income of the people. Unbearable taxation is sapping the energies of the country and if long continued a debacle will ensue with which the world may not have facilities to cope. Those who are impairing the American surplus

of funds and credits available for foreign help, by supporting the present unsound credit structure, are working a wrong to more than ninety per cent of the British people, as well as to hundreds of thousands of thrifty American investors. The highest interests of Britain and of humanity call for immediate reorganization of British finance, in order that the masses may be given a chance to live in moderate comfort and not in the want and degradation that impend.

In papers printed for private circulation, "The British National Debt," March 1920, and "Some Post-War Problems of Britain," June 1922, the writer pointed out the absurdity of Britain's keeping on under her unbearable load of war debt. From these papers some excerpts are appended. Recently the outlook has been rather frankly avowed by some British publicists, including the British Ambassador, Sir Esme Howard. Referring to an important declaration on the subject by that Ambassador, Colonel George Harvey, late American Ambassador at the Court of St. James, who was of foremost influence in arranging the debt agreement with America, published in the North American Review for December last a signed article clearly setting out "The Plight of England," establishing that she is living on her capital—the yearly impairment exceeding $2,000,000,000. Although London writers angrily referred to the article, no one has attempted to controvert the figures which were the basis of his conclusions.

H. C. McLeod

Camden, South Carolina,
April, 1926.

APPENDIX

THE BRITISH NATIONAL DEBT

[March 20, 1920]

A premature armistice closed an incomparable chapter in the history of Great Britain. An unsatisfactory peace leaves her burdened with a debt of eight billion pounds. The interest on this debt, and other government charges, amount to more than the increase of national wealth has ever been, leaving no expectation that the burden can be carried without destructive impairment of the means of the people. * * * The facts ought to be faced by an adjustment made by confiscation of war profits, by a levy on capital, or by other drastic means that will dispose of three-fourths of the debt, in the hope that Britain may continue a major influence for civilization and for international welfare.

* * * in the event of a reduction being made in government charges to 5.5 per cent, national wealth would still disintegrate at the lesser rate of 2 per cent per year, each year accelerating the pace to a not distant end.

SOME POST WAR PROBLEMS OF BRITAIN

[June 30, 1922]

Some months ago a well-known writer reported the opinion of an American financier who had just returned from an extensive tour of investigation throughout England and Europe generally. The financier said: "I should not be surprised that England is going to furnish the great tragedy of the future."

* * * the spendable fund, of the people of the Kingdom, is sufficient only for the pre-war government expenditure of less than £200,000,000 per annum, and that it falls short of the present government expenditure by about £700,000,000, by which latter sum the capital of the nation is diminishing yearly. The post-war expenditure and England's statistical story of progress in wealth point to this present impairment, which would be less than half covered by normally prosperous conditions.

What are normally prosperous conditions? In 1835, J. R. McCulloch, a Scotch economist, stated that the British Isles doubled

in wealth every forty years, equal to a yearly increment of 1.75 per cent. The wealth of 1914 was computed in an exhaustive manner by Dr. J. C. Stamp at £14,300,000,000, an estimate that is generally regarded as correct. If Dr. Stamp is correct, and if the rate of increase was 1.75 per cent, the wealth of 1835 must have approximated £3,630,000,000, and that of 1840 £3,950,000,000. Statisticians quote with approval Porter's estimate of £4,000,000,000 for 1840. All of which is a striking confirmation of McCullough's judgment in regard to Great Britain's capacity for amassing wealth. The data on which that judgment was formed are reinforced by a further experience of seventy-nine years, so that it may be confidently assumed that under normally prosperous conditions, and ordinary taxation, wealth accumulates at the rate of 1.75 per cent. annually. For the fiscal year of 1913-14 the charges of government were £197,493,000, or nearly 1.4 per cent. of the wealth of the time; which rate appears well above the average of the period 1835-1914. From the sum of the two last-mentioned percentages (the rate of increment 1.75 and the normal rate of taxation 1.4) the limit of taxation bearable in ordinary circumstances, without impairment of wealth, is ascertained to be 3.15 per cent. But, the charges of government are now 7 per cent of the wealth of 1914 and probably over 15 per cent of wealth as impaired up to 1922. Even during the golden era of British industry (1846-1872), a 7 per cent tax on aggregate wealth would have caused a decline therein. The advantages and profits of that time were extraordinary, but the succeeding depression continued so long that the average savings of seventy-nine years were leveled to McCulloch's figures. After that depression had continued for many years, Giffen estimated the aggregate annual savings at only £65,000,000. Now, reasoned optimism fails to discern a golden era within the time that matters in British finance; on the contrary, it is discouraged by widespread depression more deeply rooted in Britain and in her foreign and colonial markets than that of the early '70s, as well as by the fact that high taxation is suppressive of industry and trade, and that it drives capital and skill to other lands. New countries have sometimes rapidly multiplied wealth through the exploitation of great natural resources, but it may be asserted that there is now no important country that could long endure taxation amounting to 7 per cent

of its aggregate wealth to repair the wastage of war. * * *

Edward Atkinson, like other great economists who preceded him, deplored the increase of European national debts, which up to the time of his writing (1884) had increased more than tenfold in eighty years; the last thirty-seven years have brought that increase to one hundredfold. He confirmed the statements of predecessors that national debts are never paid, noting the solitary exception of this country, which had so rapidly reduced the Civil War debt. * * *

Nearly all nations now recognize the truth of Petty's law that "Each country flourisheth in the manufacture of its own native commodities." Tariff walls are everywhere raised: in America, with surpassing indifference to mutual trade; even in India, whence so much wealth came; in Australia; in New Zealand; in Canada and elsewhere within the empire, protection fences off British as well as other trade. For an isolated manufacturing community, such as Britain, laden with debt, to which food and raw materials have to be brought and from which surplus products are shipped, mostly to protected countries, there does not appear any hopeful prospect.

The wealth of England, including the internal debt, is held by an insignificant percentage who constitute the ruling class. Naturally, these holders of the national loan are interested in restoring the pound to par, as well as in sustaining a world market for their holdings. This rich class, less than 1 per cent of the population of 1896, owned 70 per cent of the wealth. Behind this class and under its direction is the power of a mighty empire. Unfortunately, the picture is not of pleasing colors, for 92 per cent of the people, enumerated by Mulhall as the fourth class, are in all stages of poverty and pauperism, with, in the aggregate, 2.6 per cent of the country's property, or one-eighth of the share of property that in pre-war days fell to the poorest 92 per cent of the population in France, Germany, and some other countries. Almost all the workers are in this class, and from the hands of these producers must come the profits of fabrication, which are the hope of the nation. * * *

Let us hope that the United States loans will be forgiven the Allies, on conditions. For England, the happiest solution would come from the application of the amount of her share of this debt

to the acquirement of land for distribution in small parcels on terms so easy as to be almost nominal. Those of us who, during the war, witnessed the avidity of the people of Britain to cultivate allotted park areas, will most readily appreciate the improvement in the food supply that would accrue from millions of acres divided as above suggested. This solution would increase the percentage of those who own the land they cultivate, which, in 1895 was 12.2 per cent, as against 87.4 per cent in Germany. France has demonstrated the national advantages of small freeholds; Switzerland has prospered with an overload system, under which occupiers of the soil are protected; while in Britain, injustice, favored by selfish enactments of land-holding legislators, has driven cultivators from their family holdings of generations. Indeed, the charges of that most reliable English historian, Professor Thorold Rogers, of Oxford, are much stronger. If the whole American debt due by England were capable of the solution above mentioned, the property of the fourth class would be trebled, to the satisfaction of all English-speaking peoples. * * *

America would be generous to contribute the war debt for the benefit of the forty-odd millions of the poor who are longing to realize their right to walk on their own soil. She could not justify forgiving that debt if eighty per cent thereof accrued to the few thousands who possess England's wealth, who protect and maintain feudal titles to land, regardless alike of Nature's plan and the good of the commonwealth. With the natural result of the present financial program in London there must arise social problems of momentous import to the world, towards the orderly adjustment of which North America, so fortunately circumstanced, will have the major influence. While the social problems involved are not directly within the realms of finance they are of commercial importance and their partial solution may well be an American aim when the cancellation of the war debt becomes a subject for serious consideration.

An impression prevails that the national debt has been materially reduced since its highest point in 1919 through payments from ordinary revenue. That impression is erroneous. Indeed, immense quantities of war stores have been sold, the proceeds called special revenue and used for ordinary expenditure. Doubtless war loans of over £1,000,000,000 were issued to buy these

stores. According to commercial ethics the proceeds of such sales would have been earmarked for the payment of debt, but politicians have virtually converted loans of 1917 and 1918 into revenue of later years. These sales yielded £170,800,000 revenue (sic) for the year ending March 31, 1922; yet the national debt increased within the year £80,142,000. And $615,000,000 of interest due America has not yet been added to the debt.

Much has been said in regard to the balancing of the budget, but there apears no merit in this operation where capital assets are converted, or where wealth is impaired by the exaction of taxes in excess of the net earnings and profits of the people. Balancing the budget in such ways will not lengthen the road nor reduce the grade towards the necropolis of European national credit.

H. C. McLeod

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TITLE